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April 15, 2005

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VIA MESSENGER

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INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Ms. Tricia Knight
Initiative Coordinator
Attorney General's Office
1300 I Street, Suite 125
Sacramento, California 94244-2550

Re: Request for Title and Summary

Dear Ms. Knight:

I hereby request that the Attorney General prepare a title and summary for the enclosed proposed initiative. Enclosed is a check for \$200. My residence address is attached to this letter. The website address for the initiative is www.shareholderprotection.org.

Very truly yours,

OLSON HAGEL & FISHBURN LLP

LANCE H. OLSON

LHO:all
Enclosures

Lance H. Olson

Bruce J. Hagel

Diane M. Fishburn

Elizabeth L. Gade

Deborah B. Caplan

N. Eugene Hill

Richard C. Mladich

Melissa A. Mikeseli

Erin V. Peth



Section 1. Title. This Act shall be known as the "Shareholder Protection Act."

Section 2. Findings and Declarations

The People of California find and declare that:

(a) Corporations make political contributions and expenditures in California without the approval of their shareholders.

(b) Shareholders are the owners of corporations. It is fundamentally unfair for a corporation to use the funds of its shareholders to make political contributions or expenditures benefiting candidates, political parties, and political causes its shareholders do not support.

(c) Shareholders have a right to know how corporations are spending their funds to make political contributions or expenditures benefiting candidates, political parties, and political causes.

(d) Corporations should be accountable to their shareholders prior to making political contributions or expenditures.

(e) Requiring the express approval of a corporation's shareholders prior to making political contributions or expenditures will establish necessary accountability.

Section 3. Article 3.5 (commencing with § 85350) is added to Title 9 of the Government Code to read:

§ 85350 Prohibition on Corporate Political Contributions and Expenditures.

(a) As used in this section, the following terms have the following meanings:

(1) "Approval of the shareholders" shall mean a vote meeting the requirements of Section 152 of the California Corporations Code (or any successor statute, rule or regulation that may exist from time to time).

(2) "Ballot measure" means any constitutional amendment or other proposition which is submitted to a popular vote at an election by action of a legislative body, or which is submitted or is intended to be submitted to a popular vote at an election by initiative, referendum or recall procedure whether or not it qualifies for the ballot.

(3) "Corporation" means (i) any corporation with shareholders, (ii) any entity in which a corporation with shareholders has an equity interest or, (iii) in the case of a subsidiary or affiliate of such a corporation or entity, the ultimate parent entity of such subsidiary or affiliate.

(4) "Indirectly" means the corporation knows or has reason to know its funds will be

used to make contributions or expenditures for political activities.

- (5) “Political activities” means contributions or expenditures made to, or in support of or opposition to, any candidate, political party, committee, voter registration campaign, ballot measure campaign, issue advocacy campaign, or any other political or legislative cause.
 - (6) “Public corporation” means any corporation that files reports pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended.
 - (7) “Purpose of the measure” means the official title and summary prepared by the Attorney General, County Counsel or City Attorney.
 - (8) “Ultimate parent entity” shall have the meaning set forth in 16 C.F.R. § 801.1(a)(3), or any successor rule or regulation that may exist from time to time.
 - (9) “Written consent of shareholders” means an action taken by the shareholders of a corporation without a meeting that meets the requirements of Section 603 of the California Corporations Code (or any successor statute, rule or regulation that may exist from time to time).
- (b) Notwithstanding any other provision of law, and except as provided in subdivision (c), it is unlawful for a corporation to, directly or indirectly, make any political contribution or expenditure for political activities or for an officer or director of a corporation to consent to any political contribution or expenditure by a corporation prohibited by this section. It shall also be unlawful for any candidate, political party, committee, or other person knowingly to accept or receive any political contribution or expenditure prohibited by this section.
- (c) A corporation may only make political contributions or expenditures for political activities if it complies with the requirements of this section. No provision of this section shall relieve any corporation of its obligations under any rule or regulation promulgated by the United States Securities and Exchange Commission.
- (1) A corporation meets the requirements of this section if it does all of the following:
 - (A) Within 30 days of the close of the corporation’s fiscal year, the corporation shall prepare a report entitled “Political Contributions and Expenditures in California” detailing the contributions or expenditures made to support political activities during the just completed fiscal year and provide a written copy of such report to its shareholders. Notwithstanding the foregoing, a public corporation will be deemed to have complied with this section by including such report in its annual report to shareholders under a caption entitled “Political Contributions and Expenditures in California.” A report made pursuant to this section shall include the following:

- (i) The date of the contributions or expenditures;
 - (ii) The amount of the contributions or expenditures;
 - (iii) The name of the candidate, political party, committee, person, issue or legislative cause to which the contributions or expenditures were made;
 - (iv) If the contributions or expenditures were made for or against a candidate, the office sought by the candidate and the political party affiliation of the candidate;
 - (v) If the contributions or expenditures were made for or against a ballot measure, the purpose of the measure and whether the contributions or expenditures were made in support or opposition to the ballot measure.
- (B) Any corporation that proposes to make political contributions or expenditures for political activities in any fiscal year shall, at its annual meeting of shareholders, at a special meeting of shareholders, or through the written consent of shareholders, submit for the approval of the shareholders the total amount the corporation proposes to spend on political contributions or expenditures for political activities during the subsequent fiscal year.
- (i) In the event the corporation fails to obtain the approval of shareholders for contributions or expenditures for political activities with respect to any fiscal year, the corporation shall be prohibited from making such contributions or expenditures. In the event the corporation obtains the approval of shareholders for contributions or expenditures for political activities with respect to any fiscal year, the corporation may expend only the percentage of the amount proposed to be spent on contributions or expenditures equal to the percentage of the shares of the corporation affirmatively voted in favor of the proposed contributions or expenditures. This percentage shall be calculated by dividing the number of shares affirmatively voted in favor of the proposed contributions or expenditures by the total number of outstanding shares of the corporation.
 - (ii) Any request for shareholder approval as provided in (c)(1)(B), must be accompanied by a copy of the report on the corporation's contributions or expenditures for political activities pursuant to the requirements in (c)(1)(A).

- (iii) No provision of this section shall relieve any corporation of its obligations under Section 604 of the California Corporations Code (or any successor statute, rule or regulation that may exist from time to time) or any statute, rule or regulation from any other jurisdiction that regulates the solicitation of proxies, and any corporation with an outstanding class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, of its obligations to comply with the proxy rules promulgated under the Securities Exchange Act of 1934, as amended.
- (C) If during the current fiscal year, the corporation desires to make political contributions or expenditures for political activities above the amount allowed pursuant to subdivision (B), the corporation shall, at a special meeting of shareholders or through a written consent of shareholders, submit for the approval of the shareholders the increased amount the corporation proposes to spend on political contributions or expenditures for political activities.
 - (i) When submitting this request for the approval of the shareholders, the corporation shall inform the shareholders of each specific proposed political contribution or expenditure for political activities in detail consistent with the requirements of (c)(1)(A)(i)-(v).
 - (ii) In the event the corporation fails to obtain the approval of shareholders for such contributions or expenditures for political activities, the corporation shall be prohibited from making such additional contributions or expenditures. In the event the corporation obtains the approval of shareholders for such additional contributions or expenditures, the corporation may expend only the percentage of the proposed amount to be spent on contributions or expenditures equal to the percentage of the shares of the corporation affirmatively voted in favor of the proposed additional contributions or expenditures. This percentage shall be calculated by dividing the number of shares affirmatively voted in favor of the proposed additional contributions or expenditures by the total number of outstanding shares of the corporation.
 - (iii) Any request for shareholder approval as provided in (c)(1)(C), must be accompanied by a copy of the report on the corporation's contributions or expenditures for political activities pursuant to the requirements in (c)(1)(A).
 - (iv) No provision of this section shall relieve any corporation of its obligations under Section 604 of the California Corporations Code (or any successor statute, rule or regulation that may exist from

time to time) or any statute, rule or regulation from any other jurisdiction that regulates the solicitation of proxies, and any corporation with an outstanding class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, of its obligations to comply with the proxy rules promulgated under the Securities Exchange Act of 1934, as amended.

- (D) Any proposal by a corporation regarding political contributions or expenditures for political activities to be voted upon at an annual or special meeting of shareholders pursuant to subdivisions (c)(1)(B) and (c)(1)(C) shall be set forth in such corporation's form of proxy with the caption "Political Contributions and Expenditures in California."
- (d) (1) Any corporation that makes a political contribution or expenditure for political activities shall maintain records that include copies of each report compiled under subdivision (c)(1)(A) and of each vote of shareholders obtained under subdivisions (c)(1)(B) and (c)(1)(C).
- (2) Copies of each report compiled under subdivision (c)(1)(A) and a certificate of the chair of the corporation's audit committee (or other committee of the board of directors serving a similar function) or, in the event no such committee exists, the chair of the corporation's board of directors certifying the results of each vote of shareholders obtained under subdivisions (c)(1)(B) and (c)(1)(C) shall be sent to the California Fair Political Practices Commission upon request.
- (e) The corporation has the burden of proof by clear and convincing evidence to establish that the requirements of this section are met.
- (f) Any person violating this section is guilty of a misdemeanor. In addition to other penalties provided by law, a fine of up to the greater of ten thousand dollars (\$10,000) or three times the amount the corporation or person unlawfully contributed, expended, gave or received shall be imposed upon conviction for each violation.

SECTION 4 - Severability

It is the intent of the People that the provisions of this Act are severable and that if any provision of this Act, or the application thereof to any person or circumstances, is held invalid such invalidity shall not affect any other provision or application of this Act which can be given effect without the invalid provision or application.

SECTION 5 – Competing Measures

If the provisions of this measure conflict with one or more measures approved at the same election, those of the measure receiving the highest affirmative vote shall prevail. Any other measure that attempts to regulate shareholder approval for corporate political contributions or expenditures shall be deemed to be in conflict with this measure.